

Statement of Tom Nassif, President, Western Growers

USDA Farm Bill Listening Tour

August 12, 2005

Fresno, California

Introduction

Mr. Secretary, thank you for the opportunity to discuss federal agriculture policy for our nation's growers of fruits, vegetables and other specialty crops in the next Farm Bill. I commend you for coming to California to discuss the many important challenges facing specialty crop growers.

Growers of specialty crops face a crisis of competitiveness that cannot be ignored by the Bush Administration and Congress. As markets become globalized, as federal and state regulation of our industry increases, and as trade barriers continue to block access to foreign markets, it is increasingly difficult for our growers to compete against foreign producers who are heavily subsidized and/or minimally regulated.

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops. In addition, with all the concerns about food safety and bio-terrorism today, a secure domestic food supply is a national security imperative. My message today is that federal agriculture policy in the next Farm Bill must be improved dramatically if we are to sustain an efficient and productive domestic specialty crop industry.

Specialty crop growers produce approximately 50% of the farm gate value of total plant agricultural production in the United States, but only receive a very small percentage of federal resources aimed at promoting and sustaining efficient agricultural production. The allocation of resources aimed at addressing issues of concern to specialty crop growers in the Farm Bill must reflect the value of their production to our economy, as well as the dietary needs of all Americans.

Western Growers strongly supported the enactment of the Specialty Crop Competitiveness Act of 2004 (H.R. 3242 and S. 2902 in the 108th Congress), in order to fully address the needs of specialty crop growers. The enactment of an amended version of this legislation last year was a small, first step towards addressing the issues of concern to our industry. We appreciate the Administration's support for the legislation as approved by Congress, and we urge you, Mr. Secretary, to fully implement this law.

Despite the enactment of the Specialty Crop Competitiveness Act last year, much work remains to be done. Many of the provisions of H.R. 3242 as originally introduced have not been addressed by the Administration or Congress to date. Currently, we are working with other organizations to develop a new version of this legislation, which we hope to have introduced in Congress soon. We urge that this legislation be fully considered at the earliest opportunity, either in the 109th Congress or as part of the next Farm Bill.

We would greatly appreciate the opportunity to work with you, Mr. Secretary, in crafting a Farm Bill which recognizes the unique needs of specialty crop growers by establishing policies, programs and resources that are needed to sustain our industry in today's global markets.

Profile of the U.S. Specialty Crop Industry

The U.S. specialty crop industry consists of hundreds of different types of crops, including fruits, vegetables, nuts, nursery, forage crops, flowers and winegrapes. This diverse array of crops was valued at approximately \$52.3 billion at the farm-gate level in 2003 (see Attachment A). The value of specialty crops is further magnified because of the critical role that growers, shippers and processors play in sustaining the economic vitality of rural areas throughout the nation. Specialty crops are grown in all 50 states and U.S. insular possessions, from Maine to Hawaii, from Alaska to Florida, and all states in between.

In addition to being a very large segment of the U.S. agricultural sector by value, specialty crop growers are large exporters. In 2003, exports of U.S. specialty crops were valued at approximately \$16 billion. Thus, specialty crop growers further contribute to the U.S. economy by strengthening our balance of trade with our trading partners. Also, it is important to note that specialty crops face the highest level of import competition among all agricultural crops in the U.S. domestic market, with imports valued at roughly \$31.2 billion in 2003 (see Attachment B).

As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at \$28.4 billion at the farm gate in 2003, with \$6.0 billion being exported. There are at least 224 different types of fruit and vegetable crops being grown today throughout the United States. Although the topics discussed below are applicable to most types of specialty crops, the rest of my statement will focus specifically on fruit and vegetable growers, shippers and processors that comprise the membership of Western Growers.

Challenges Facing Fruit and Vegetable Growers

As indicated above, fruit and vegetable growers, shippers and processors make a large contribution to our nation's economy. However, this economic activity is in jeopardy due to a number of challenging trends facing our industry today. With the increasing globalization of agricultural markets due to the growth in international trade, and dramatically increased federal and state regulation of our industry, it is becoming virtually impossible for many U.S. growers to compete against heavily subsidized and minimally-regulated foreign producers in both the domestic and international markets. Most importantly, U.S. growers continue to face tariff and non-tariff trade barriers in foreign markets, including phytosanitary barriers that are of highly questionable scientific validity.

In essence, fruit and vegetable growers face a "crisis of competitiveness" due to the confluence of a number of trends:

- stagnant export growth due to a lack of access to foreign markets;
- heavily subsidized foreign competition;
- rapidly increasing production costs;
- the loss of cost-effective crop protection tools due to the Food Quality Protection Act and other federal and state laws;
- increasing import competition from growers in nations with minimal regulation;
- increasing pest and disease problems resulting primarily from the growth of international trade;
- increasing federal and state regulation, such as clean air and clean water restrictions;
- a proliferation of Free Trade Agreements that do not offer any real opportunities for fruit and vegetable growers to expand exports.

As you can see from this list, our growers face many extremely difficult challenges today. The trends described above are putting enormous downward pressure on the economic returns of fruit and vegetable growers.

It is also important to stress that growers of fruits and vegetables have very different characteristics and needs compared with the federal program crops. As a result, many current federal agricultural policies do not adequately address the needs of our growers in meeting the challenges outlined above. Given the current problems that threaten the economic viability of fruit and vegetable growers and the rural communities which they sustain, a targeted federal policy response is essential.

Western Growers believes that federal agriculture policies established by the next Farm Bill should fully recognize the needs of fruit and vegetable growers, shippers and processors. The federal government has an important role to play in making sure that U.S. specialty crop growers have the tools needed to remain competitive in global markets.

WG has partnered with other organizations to develop a comprehensive approach to federal agriculture policies that will meet the needs of specialty crop growers, as well as consumers in rural, urban, and suburban America. The major areas of this program are as follows:

- grant and loan programs;
- marketing;
- foreign market access;
- nutrition;
- research and extension;
- pest and disease exclusion;
- conservation/environment.

Western Growers strongly believes that the next Farm Bill must establish policies and programs in these areas that are specifically tailored to meet the needs of specialty crop growers.

The Specialty Crop Competitiveness Act

In the 108th Congress, we began the process of addressing the many issues of concern to specialty crop growers. Similar versions of the Specialty Crop Competitiveness Act, which was specifically designed to meet the competitive needs of specialty crop growers, were introduced in the House (H.R. 3242 by Reps. Doug Ose and Cal Dooley) and the Senate (S. 2902 by Sen. Larry Craig and Debbie Stabenow). In 2004, Congress approved an amended version of H.R. 3242 developed by Rep. Ose, and the President signed the bill into law in December of last year. Western Growers views this as a small, first step towards addressing the needs of specialty crop growers, and believes much more needs to be done to accomplish our policy objectives.

I would now like to discuss the rationales behind the federal policy changes made by the Specialty Crop Competitiveness Act of 2004 and how this pertains to the Farm Bill. Western Growers is working with other organizations to develop a new version of this legislation which will contain new provisions, which we hope to have introduced in Congress soon. Ultimately, we believe that many of these issues will need to be addressed in the Farm Bill.

Specialty Crop Block Grant Program

In 2001, Congress enacted a Specialty Crop Block Grant program as part of Market Loss Assistance legislation approved by Congress. This program has proven to be very successful in providing funding needed for investment in research and strategies aimed at enabling specialty crop growers to remain competitive in global market. One component of this is the need to increase the consumption of fruits, vegetables and other specialty crops in the United States. For example, grants authorized by the block grant program have gone to activities like the Produce for Better Health (PBH) Foundation's national "5 A Day" nutrition campaign. So far, the \$2.5 million grant received from the 2001 block grant by the PBH has allowed the foundation to leverage an additional \$16 million in cash and in-kind promotion dollars to promote fruit and vegetable consumption. This is just one of many success stories that are documented in a report by the National Association of State Departments of Agriculture entitled "Improving the Competitiveness of Specialty Crop Agriculture: A Progress Report on State Agricultural Block Grants." I urge you, Mr. Secretary, to review this report.

While the 2001 block grant program was a good start, there is still a great amount of work to be done to increase consumption of nutritious fruits and vegetables in order to promote healthy eating habits among all Americans, especially children. In fact, the average American is still not consuming the recommended daily servings of fruits and vegetables, as suggested by the "5 A Day" for Better Health program sponsored by the Produce for Better Health Foundation and the National Cancer Institute. Increasing the health of all Americans through greater consumption of fruits and vegetables is critical to improving our quality of life through reduced illness, and also reducing our economic expenditures on health care.

H.R. 3242 was aimed at building on the success of the 2001 legislation by establishing a similar program through which the Secretary shall use federal funds for block grants to the agriculture departments of the 50 states. These grants must be used to support production-related research, commodity promotion, food safety and inspection, environmental and other programs that

enhance the competitiveness of specialty crop producers. Each state receives a minimum level of funding, and the grant allocations are made in an amount that represents the proportion of the value of specialty crop production in the state in relation to the national value of specialty crop production for the previous calendar year. The funds shall not be used to provide direct payments to producers, and would be characterized under the WTO's "green box" category.

By promoting the consumption of fruits and vegetables and investment into programs that enable growers to develop the tools necessary to remain competitive in global markets, the Specialty Crop Block Grant program will boost economic productivity in the U.S. and reduce long-term health care costs related to obesity and other problems arising from poor diets.

The National Association of State Departments of Agriculture estimates that the unmet demand for block grants from the states in 2001 was approximately \$1.36 billion. H.R. 3242 as originally introduced provided for \$470 million in mandatory spending annually over five years for this program. Given the severe budget constraints under which Congress is now working, the version of H.R. 3242 enacted into law provided for an authorization of \$44.5 million per year for five years (section 101). The FY 2006 Agriculture Appropriations bill would appropriate \$7 million for this program. Western Growers strongly believes that more funding for this successful program is urgently needed.

WG looks forward to working with the Administration and Congress to provide a level of mandatory funding sufficient to address the needs of specialty crop growers in the next Farm Bill. Additionally, WG stands ready to work with the Administration and Congress to improve the Specialty Crop Block Grant program to ensure that funding is used for the intended purposes.

Marketing Issues

Food Safety Programs Under Marketing Orders

Because of the highly perishable nature of many fruits and vegetables, growers face unique and challenging marketing problems. There are many areas of federal agricultural policy which can assist U.S. growers in the effective marketing of the crops. More effective marketing will also benefit consumers by increasing the availability of nutritious fruits and vegetables at affordable prices.

The Administration should work to enhance the functioning of marketing orders and promotion programs as tools for the fruit and vegetable industry to increase consumption and to facilitate marketing opportunities. As you know, marketing orders are industry self-help programs, in existence since 1938, which are used for collective research, promotion and quality programs. Marketing orders and promotion programs stabilize the agricultural economy, promote agricultural products, protect consumer health, and provide funding for vital research and new product initiatives. These programs benefit both growers and consumers, and are important to growers if they are to remain competitive in today's markets.

However, marketing order promotion programs have come under legal and Constitutional challenges in recent years, and thus the benefits they provide to growers and consumers are in jeopardy. An elimination of marketing order promotion programs would deprive fruit and vegetable growers of the tools they need to remain competitive in today's markets. The Administration needs to work with the industry to research and identify new concepts and marketing tools that can assist growers in remaining competitive.

In order to improve the ability of marketing orders to benefit growers and consumers, federal law should be changed to permit marketing order committees to implement food safety programs. This would allow growers to implement good agricultural practices, good manufacturing practices, and other food safety programs that can assist in ensuring that fruits and vegetables are safe for consumption and free from adulteration or microbial contamination. This change would help meet the public's demand for greater levels of food safety beyond the existing programs implemented by the government in recent years. Unfortunately, the current law does not allow growers to adopt food safety programs under a marketing order.

Western Growers believes that federal law should be amended to give marketing order participants the authority to adopt new food safety programs that would improve on those measures already in existence. H.R. 3242 and S. 2902 as introduced contained language to accomplish this important policy goal. However, this provision was deleted from the version of H.R. 3242 that was ultimately enacted. WG ~~believes~~ urges the Administration to support this proposal as part of a new Specialty Crop Competitiveness Act or the Farm Bill.

Fruit and Vegetable Inspection

In order to improve the accuracy and reliability of USDA's inspection and fair trading programs, the Agricultural Marketing Service has established a National Training and Development Center (TDC) of the Fresh Products Branch. This facility is designed specifically to train federal and state government inspectors of fresh produce. It is critical that this inspection facility have the resources necessary to properly train inspectors that provide a vital service to growers and consumers alike. Improved training of inspectors is critical to preventing future scandals like that experienced at Hunts Point Terminal Market, and also critical for the expansion of U.S. fruit and vegetable exports. In addition to their training duties, we understand that the TDC staff is also highly trained support personnel for the purpose of administering AMS's Continuity of Operations (COOP) emergency support program.

Section 403 of H.R. 3242, as enacted, authorizes \$1.5 million annually for the proper operation and maintenance of the AMS TDC facility, located in Fredericksburg, Virginia. We are disappointed that this program did not receive an appropriation in the FY 2006 Agriculture Appropriations bill. We urge the Administration to include \$1.5 million for this program in the President's FY 2007 budget proposal.

Fruit and Vegetable Market News

To be competitive, fruit and vegetable growers need timely price information. Without this price information, growers are at a severe disadvantage in domestic and international markets. In

addition, there is a need to assure U.S. entities that price information will be available to resolve international trade disputes governed by international trade agreements. Unfortunately, the current Agricultural Marketing Service Market News funding allocation for fruit and vegetable price information is not sufficient to provide market prices to U.S. fruit and vegetable growers, nor is it sufficient to resolve trade disputes.

The Specialty Crop Competitiveness Act of 2004 did not address this issue. At this time, Western Growers proposes that \$9 million be allocated from the Commodity Credit Corporation for fiscal year 2007 for fruit and vegetable Market News activities at AMS, and that future funding be indexed for inflation on an annual basis thereafter. WG urges the Administration to support this proposal as part of a new Specialty Crop Competitiveness Act or the Farm Bill.

Foreign Market Access

A full examination of the state of the domestic fruit and vegetable industry would not be complete without a discussion of international trade issues, which are of increasing importance to our industry.

With a fruit and vegetable farm gate benefit to the U.S. economy of \$28.4 billion (FY 2003), \$6.0 billion is exported. However, unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance with our trading partners. Over the last ten years, U.S. imports of fruits and vegetables have increased by almost 103% (to \$9.2 billion in 2004), while U.S. exports have increased only 28.7% (\$6.6 billion). As a result, the fruit and vegetable trade surplus in 1995 of over \$600 million is now a \$2.6 billion trade deficit (see Attachment C). There are a number of reasons for this, one being the tremendous subsidies which the European Union provides to its industry, which exceeded \$12.5 billion in 2002. In addition, Japan subsidizes its fruit and vegetable growers, thereby creating incentives to deny U.S. exports entry into its market.

While the U.S. market welcomes imports of fruits and vegetables from some of our trading partners who heavily subsidize their industries, U.S. growers have unfortunately not received significant market access to foreign markets. The recently completed free trade agreements (FTAs), and those currently in the process of being negotiated, are with countries which offer U.S. fruit and vegetable growers very limited export opportunities. Many of the countries are not economically developed enough to be able to afford high value products, and therefore the market for our exports is negligible. The fruit and vegetable industry would like to see FTAs with Asian Pacific Rim countries. While there is some ongoing trade with many of these countries, a significant number have high tariff rates and significant phytosanitary barriers which greatly limit U.S. exports.

Since the impact of multilateral and regional trade agreements has not materialized into a favorable balance of trade for fresh and processed fruits and vegetables (HTS Chapters 7, 8 and 20), Western Growers has a number of recommendations that are designed to address this problem and increase U.S. specialty crop exports.

Technical Assistance for Specialty Crops Program

Many of the trade barriers that restrict the expansion of U.S. specialty crop exports are phytosanitary problems, many of highly questionable scientific validity, used by foreign governments to block access to their market. The Technical Assistance for Specialty Crops (TASC) program was established in the 2002 Farm Bill to provide assistance to U.S. growers to engage in research and other activities needed to remove such trade barriers. This program has proven to be very successful in removing phytosanitary trade barriers, but funding is not sufficient to keep up with demand. The 2002 Farm Bill provided \$2 in mandatory funding annually for TASC.

Western Growers believes that we should immediately accelerate efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding to meet demand. Section 201 of H.R. 3242, as enacted, provided an authorization for an additional \$2 million annually for five years in funding for TASC. We urge the Administration to include a total of \$4 million for TASC (\$2 million mandatory and \$2 million discretionary) in its FY 2007 budget proposal. Further, we urge the Administration to support at least \$7 million (the current estimate of demand) in mandatory funding per year for TASC in the next Farm Bill. USDA must also ensure that the Foreign Agriculture Service has the personnel available to implement an expanded TASC program.

USDA Phytosanitary Barriers Report

In order to enable the industry and the federal government to better address the problem of phytosanitary trade barriers that limit our exports, section 203 of H.R. 3242, as enacted, directed USDA to submit to Congress, within 180 days of enactment, a report on significant phytosanitary issues that affect the export of specialty crops. Unfortunately, this report has not yet been delivered to Congress. We urge you, Mr. Secretary, to ensure that this report authorized by H.R. 3242 is completed and sent to Congress as soon as possible.

APHIS Phytosanitary Export Petitions

It is true that the World Trade Organization Sanitary and Phytosanitary (SPS) agreement is being used to open markets. Unfortunately, this appears to be a one-way street. After nearly a decade, the WTO SPS agreement is opening the U.S. market without the promise of foreign markets being opened for our exports. The problem is that appears to be a much great emphasis at the Animal and Plant Health Inspection Service (APHIS) in the processing of phytosanitary import petitions vs. export petitions. We are not faulting APHIS for the imbalance between the agency's efforts on SPS import petitions verses export petitions, as the agency is merely responding to outside demands.

To address this problem, section 202 of H.R. 3242, as enacted, directs APHIS to reduce the backlog of phytosanitary export petitions that are now pending at the agency and report to Congress annually on this problem. WG urges you, Mr. Secretary, to make sure that this provision of H.R. 3242 is expeditiously implemented by APHIS, and allocate the resources necessary to do so. We further urge that a separate division be established within APHIS for the

sole purpose of processing the hundreds of petitions for removing SPS trade barriers in export markets which are now pending before the agency. We believe that a concentrated effort to expedite specialty crop phytosanitary export petitions could have a major impact in expanding our exports. WG supports this proposal as part of a new Specialty Crop Competitiveness Act or as a component of the Farm Bill.

Intellectual Property Rights in International Trade

Another important component of a comprehensive strategy to increase exports of U.S. fruits and vegetables is to establish a new USDA office that will focus solely on representing U.S. grower interests in international matters concerning intellectual property rights (IPR). We recommend that USDA establish an office for encouraging the development and protection of intellectual property rights for plants. This office will be directed to work closely with the Office of Patents, Trademarks and Copyrights at the Department of Commerce in implementing these goals. Such a provision was included in the original version of H.R. 3242, but was deleted in the final version of the bill. We urge USDA to implement this proposal administratively or support such a proposal for inclusion in the Farm Bill.

Market Access Program

Finally, Western Growers would like to thank you, Mr. Secretary, for your strong support for the Market Access Program (MAP). This program has proven to be very successful in assisting U.S. fruit and vegetable exports to be more competitive in world markets, and it is critical that the Administration and Congress fund MAP at the maximum authorized level. The increase in appropriations for MAP in the FY 2006 Agriculture Appropriations bill now pending before Congress will help fruit and vegetable growers in their efforts to expand exports.

Specialty Crop Research

As U.S. specialty crop growers strive to remain competitive in global markets, being able to economically produce crops and avoid environmental damage is critical. In the face of increasing scrutiny over the impact of agricultural practices on air, water and soil quality and endangered species, production costs for growers have been increasing rapidly. The loss of effective crop protection tools due to the enactment of the Food Quality Protection Act has also resulted in increased production costs. Thus, focusing USDA research and resources on identifying and developing economical and environmentally sustainable solutions to the challenges facing today's growers is vital for this sector of the industry to remain competitive.

A prime example of this is the need to develop safe and cost effective alternatives to methyl bromide as its use is phased out under international agreements. Section 301 of H.R. 3242, as enacted, directed USDA to elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the methyl bromide phase-out deadline. The new law authorized \$5 million per year in fiscal years 2005 through 2009 to carry out this provision, but funding has not yet been appropriated. WG urges USDA to include \$5 million in its FY 2007 and future budget proposals to carry out this program.

Other research and extension areas identified by Western Growers as important investments to improve competitiveness of the fruit and vegetable industry include:

- Funding for the Economic Research Service to quantify the benefits for clean air and the environment of the fruit and vegetable industry in relation to urban sprawl.
- *Additional funding for the Agricultural Research Service to improve the quality of fresh fruits and vegetables and to complement the ongoing food safety work of the agency.* This quality research is the foundation for continued gains in “value-added” produce products, which have received a very positive response from consumers. For example ARS research in plastics that help to maintain the freshness of fresh produce has greatly expanded our markets. Similarly, a better understanding of the sources of microbiological contamination has benefited the industry.
- The formalization of regional integrated pest management centers within the Cooperative State Research Education, and Extension Service. These regional centers should be authorized to receive appropriations to:
 - o conduct research to develop cost effective and efficacious new crop protection tools and integrated pest management systems to address the loss of key pesticides due to environmental regulation;
 - o interact with growers and other stakeholders to establish regional priorities for research and extension activities;
 - o promote extension activities, including on-farm demonstrations, to identify and demonstrate applications of economic and effective pest control methods. This function is particularly critical given the impact of declining state budgets on the ability of state extension agents to provide support to growers;
 - o provide data on pest control methods and usage to USDA agencies and EPA; and,
 - o award competitive grants to eligible degree-granting colleges and universities for integrated agricultural research, education, and extension projects. Peer review panels would be established within each region to review competitive grant applications and would include peers with knowledge of fruits and vegetables.
- Additional funding for APHIS to identify and prioritize the harmful economic and health impacts of foreign invasive pests and diseases and to develop appropriate eradication and control programs.

Specialty Crops Committee

In order to advance the above research initiatives that are important to the specialty crop industry, section 303 of H.R. 3242 as enacted provided for the establishment of a Specialty Crops Committee of the National Agricultural Research, Extension, and Economics Advisory Board. The new law states that the Specialty Crops Committee "will be responsible for studying the scope and effectiveness of research, extension, and economics programs affecting the specialty crop industry." WG commends you, Mr. Secretary, for ensuring that the Special Crops Committee was established in accord with the new law. However, we are very concerned that the first public input session of the committee, originally scheduled for this week in Michigan, has been cancelled or postponed. We urge that you implement H.R. 3242 by ensuring that the research activities of the Specialty Crops Committee move forward in an expeditious manner.

National Specialty Crop Development Initiative

Finally, Western Growers recommends the creation of a National Specialty Crop Development Initiative, an integrated, competitive grant program supported with \$30 million in mandatory funding annually. This program is a long-term investment to improve efficiency and competitiveness of specialty crop growers in the world marketplace, and all colleges and universities as well as private organizations would be eligible to compete for the grants. This proposal was included the original versions of H.R. 3242 and S. 2902, but was not enacted. WG urges the Administration to support this proposal as part of the Farm Bill.

Pest and Disease Exclusion

As you know, Mr. Secretary, an increase in international trade inevitably brings an increase in threats to U.S. fruit and vegetable crops from invasive pests and diseases from abroad. In order to protect the U.S. specialty crop industry from these increased threats, greater levels of assistance and resources are necessary for APHIS. This agency is not only responsible for ensuring that imports will not add to the pests already in the U.S., but also is instrumental in helping U.S. producers find solutions to phytosanitary concerns of importing countries so that U.S. growers can export.

APHIS Peer Review

Western Growers believes that APHIS must work to become a model of how petitions for importing fruits and vegetables into the U.S. are evaluated. In our experience, the phytosanitary trade barriers of other countries, which block U.S. exports, are often not based on valid scientific evidence, but are merely thinly disguised protectionist measures. Unfortunately, APHIS is in a similar position when decisions on import petitions are subject to political and other pressures. Any effort to strengthen and increase the transparency of APHIS's process for evaluating import petitions will ultimately help the U.S. to increase exports by providing other nations with a model on how to evaluate phytosanitary matters.

Western Growers worked with Congress to enact legislation, as section 402 of H.R. 3242, that requires APHIS to develop a process whereby critical pest and disease decisions are subjected to scientific peer review. We believe this is essential in order to ensure that the best science available is being used to make regulatory decisions regarding pests and diseases that can devastate our industry. WG urges USDA to move forward in implementing the peer review provision of H.R. 3242 in an expeditious manner.

Pest and Disease Response Fund

Western Growers also believes that expanded authority and funding is needed for APHIS to develop an adequate emergency eradication/research program that could be accessed to address economic and health threats posed by invasive pests and disease. The original versions of H.R. 3242 and S. 2902 would establish such a fund as a revolving account, capped at \$75 million, and the fund would be replenished based on fiscal year utilization. Section 401 of H.R. 3242, as enacted, established a Pest and Disease Response fund for this purpose and authorized \$1 million annually for fiscal years 2005 through 2009 to carry out this program. WG believes that greater levels of funding are necessary for this critical program, which is needed to prevent millions of dollars in potential losses to growers, as well as a diminished supply of healthy specialty crops for consumers, from invasive pests and diseases. WG urges the Administration to work with us to further develop the work started in H.R. 3242 for the next Farm Bill on this important program.

Planting Fruits and Vegetables on Subsidized Acreage

Western Growers strongly supports the current policy of prohibiting fruits and vegetables from being harvested on subsidized acreage enrolled in the USDA farm programs, as contained in the 2002 Farm Bill. This is essential to ensure that growers of fruits and vegetables, who do not receive subsidies, are not put at a competitive disadvantage or subject to the disruption of produce markets due to artificially imposed signals arising from changes in government policy.

Along with other specialty crop organizations, WG worked to ensure that Congress abided by this policy in developing the 1990, 1996 and 2002 Farm Bills. The 2002 Farm Bill prohibits the harvesting of fruits and vegetables on all USDA contract acres, with certain narrow exceptions specified in the law. Western Growers remains committed to ensuring that the fundamentally fair policy of prohibiting subsidized growers from competing against growers who do not participate in federal farm programs in the production of fruits and vegetables remains the law of the land in the next Farm Bill, and that the law is effectively enforced. Our growers face enough challenges competing against subsidized producers in foreign countries without having to deal with the same problem among U.S. growers. Program crop growers already have maximum flexibility to grow fruits and vegetables as long as they are willing to forgo federal program subsidies and participate in the marketplace on a level playing field.

Conclusion

Again, Mr. Secretary, thank you for the opportunity to express the views of Western Growers with respect to federal agriculture policy and the next Farm Bill. Western Growers looks forward to working with you and other Bush Administration officials to improve federal agriculture policy and resources for specialty crop growers.

Attachment A

U.S. Specialty Crop Economic Values - 2003

(Figures in billions of dollars)

<u>Type of Specialty Crop</u>	<u>Farmgate Value</u>
Fruits, Vegetables and Nuts	\$28.4
Forage (hay, pasture, seeds, and minor field crops, hops)	\$7.2
Nursery	\$10.0
Floral Industry	\$5.1
Winegrapes	\$1.5
<u>Total</u>	<u>\$52.3*</u>

*NOTE: Adjusted for rounding.

Prepared by the Agricultural Coalition On Trade using data from the Economic Research Service, USDA.

Attachment B

Comparison of Economic Values

Specialty Crops and Program Crops

<u>Category</u>	<u>Specialty Crops</u>	<u>Program Crops</u>
	<i>(in billions U.S. \$ for FY 2003)</i>	
Farmgate Value	\$52.3	\$53.9
Annual Subsidies (FY)	\$0	\$12.4
Farmgate Export Value	\$16.0	\$30.0
Value of Imports	\$31.2	\$5.1

Prepared by the Agricultural Coalition On Trade using data from the Economic Research Service, USDA and the U.S. Department of Commerce.

U.S. Trade in Fruits, Vegetables and Nuts

Year	Imports	Exports	Balance
1995	\$4,546,941,000	\$5,155,383,000	\$608,442,000
1997	\$5,277,013,000	\$5,362,865,000	\$85,852,000
1999	\$6,528,175,000	\$4,916,736,000	(\$1,611,439,000)
2001	\$6,850,065,000	\$5,330,162,000	(\$1,519,903,000)
2003	\$8,184,958,000	\$6,048,928,000	(\$2,136,030,000)
2004	\$9,220,653,000	\$6,636,319,000	(\$2,584,334,000)

Prepared by the Agricultural Coalition On Trade using data from the U.S. Department of Commerce.

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